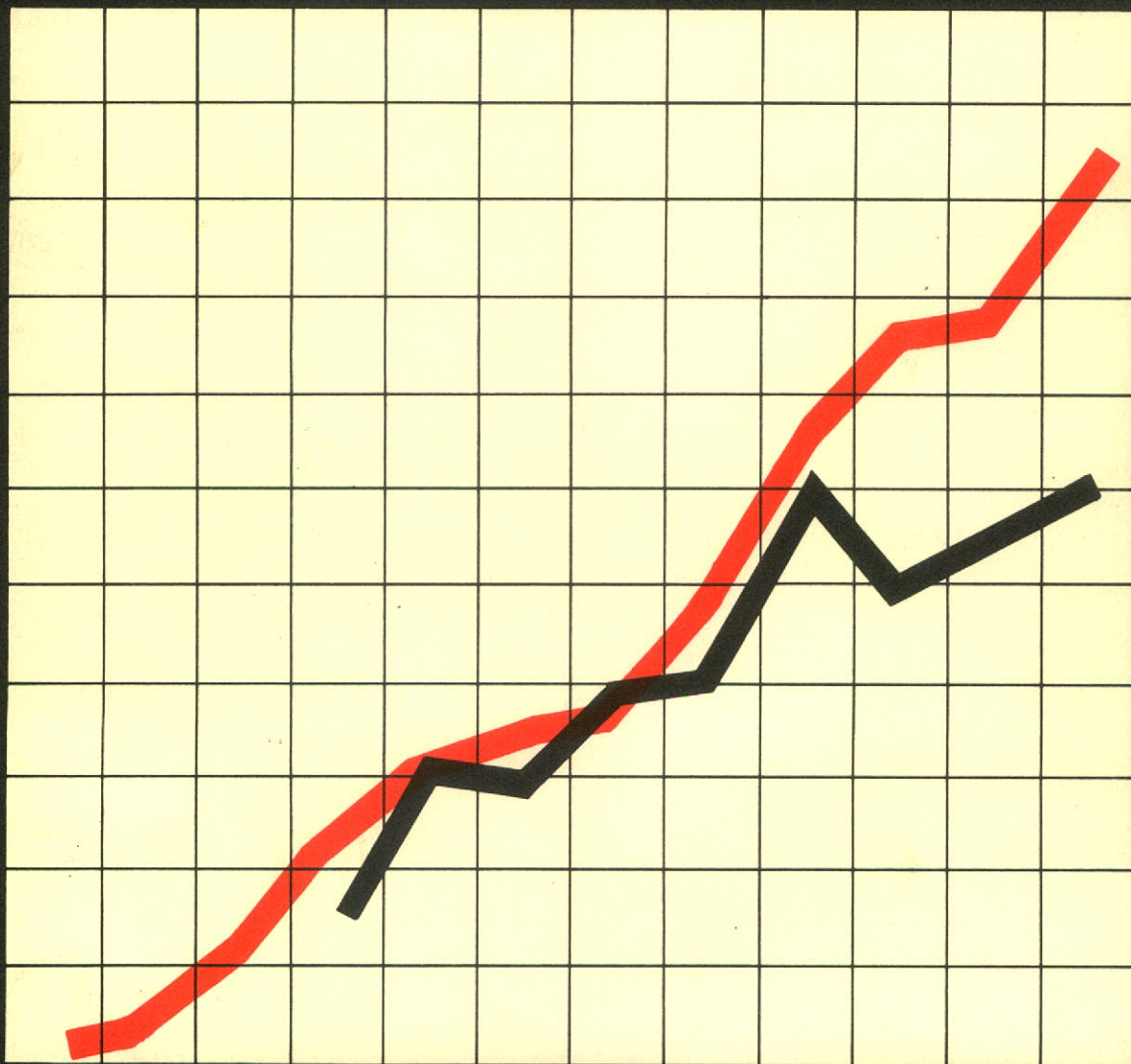


ANNUAL REPORT

APRIL 1 1973 TO MARCH 31, 1974



Alberta
OPPORTUNITY COMPANY

ANNUAL REPORT

April 1, 1973
to
March 31, 1974

Alberta

OPPORTUNITY COMPANY

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**THE ALBERTA OPPORTUNITY COMPANY
A CROWN CORPORATION, RESPONSIBLE TO
THE LEGISLATURE OF ALBERTA, THROUGH
THE MINISTER OF INDUSTRY & COMMERCE
THE HON. FRED PEACOCK**

BOARD OF DIRECTORS

R. W. CHAPMAN, EDMONTON, CHAIRMAN
E. A. CLARKE, PONOKA, MANAGING DIRECTOR
G. BUCHANAN, HIGH PRAIRIE
P. S. GRANT, CALGARY
N. LAWRENCE, EDMONTON
L. ORDZE, CAMROSE
N. F. W. PICARD, EDMONTON
M. TANNER, LETHBRIDGE
J. WILDERS, PONOKA

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THE YEAR IN REVIEW

First Quarter

Our first three months were to a large degree a "getting acquainted period" for our new Board of Directors and our new management with our staff. We instituted a review of existing policies and procedures and began planning for our relocation to Ponoka.

Second Quarter

In the second quarter of the year we implemented a number of procedural changes, primarily aimed at expediting and improving our consideration of loan applications. Our major re-organization, however, was associated with our move to Ponoka, involving, among other things, the replacement of 90% of our head office staff (see separate comments under Staff, below). We moved to Ponoka on schedule over the Labour Day weekend.

Third Quarter

In the third quarter we were principally concerned with training new staff, "settling in" in new premises (and new homes) and with refining and consolidating previous changes in organization and procedures. During this period we particularly stressed the simplification and speeding up of the legal processes necessary to implement loans after their authorization.

Fourth Quarter

In the last three months of the year our new "machinery" began to achieve the higher levels of productivity for which it had been designed. Although for the first three periods described above we had been pleased to at least keep even with the preceding year's lending activity, we now began to move significantly ahead.

LENDING ACTIVITY

The graph on the front cover of this Report illustrates our cumulative loan authorizations for the fiscal year, totalling \$9,388,268 compared to \$6,159,776 for the nine months following A.O.C.'s inception (on July 1, 1972) of the preceding fiscal year.

One major trend during the year was a reduction in average loan amount to \$79,562, compared to \$139,995 in the preceding period, reflecting an increasing proportion of loans to smaller businesses. A total of 118 loans were authorized, compared to 44 loans in the preceding nine-month period.

A second major trend was the increased proportion of loan recipients in smaller communities, as illustrated by the following tabulation:

GEOGRAPHIC DISTRIBUTION OF LOAN AUTHORIZATIONS

Year Ended	Northern Alberta	Edmonton	Central Alberta	Calgary	Southern Alberta
March 31, 1974	26.7%	10.5%	21.7%	17.3%	23.8%
March 31, 1973	7.6%	33.9%	10.4%	20.8%	27.4%

Although our loans to the manufacturing sector decreased slightly in total dollar volume, the number of these loans more than doubled, again illustrating the trend to smaller businesses. There was also a higher proportion of new businesses than formerly.

One important aspect of our operations, which is not ordinarily reflected in our statistics, is the large number of cases where we do not ourselves make a loan, but having investigated the proposal and found it viable, we help our applicant to arrange the needed financing from other institutions. In the last quarter of the year, for example, we reviewed 134 applications, totalling \$12,496,099 and made 49 loans totalling \$3,729,205 (30%) We helped a further 20 applicants to obtain \$2,454,500 (20%) from other sources of financing.

It is also worth noting that although about one application in five is screened out at an early stage as being obviously not viable, or alternatively able to get financing elsewhere, we do review intensively about double the number of applications that can ultimately justify financing by the Alberta Opportunity Company or another institution. We could screen out a higher proportion at an early stage but feel that our mandate requires us to make a real effort to develop sound business proposals wherever possible.

Another important trend, illustrated in the tabulation on the following page, was our emphasis on loans to service businesses, which because of their lack of tangible security, have traditionally found it difficult to obtain financing from conventional lenders. However, even though our percentage gains were largest in this sector, we have only made a small beginning in meeting its needs.

ANALYSIS OF LOAN AUTHORIZATION BY INDUSTRY

AUTHORIZATIONS	THIS YEAR Apr.1/73 - Mar.31/74		PREVIOUS YEAR (9mo. end Mar.31/73)		TOTAL	% to Total	% Increase
	No.	\$	No.	\$			
MANUFACTURING							
Food and Beverage Processing	3	230,460	2	1,493,250	1,723,710	11.2	(84.6)
Agriculture Prod. & Mach.	5	554,860	3	774,000	1,328,860	8.5	(28.3)
Wood Products & Furniture	6	129,000	2	52,400	181,400	1.2	146.2
Metal Fabrication & Mach.	21	1,399,108	8	1,699,000	3,098,108	19.9	(17.7)
Man. Structures & Vehicles	10	607,095	3	136,605	743,700	4.8	344.4
Textiles & Clothing	2	51,500	3	32,893	84,393	.5	56.6
Petrochem. & Plastic Prod.	10	624,820	2	78,000	702,820	4.5	701.1
Other Manufactured Products	17	1,225,950	8	577,250	1,803,200	11.6	112.4
TOTAL MANUFACTURING	74	4,822,793	31	4,843,398	9,666,191	62.2	(.4)
SERVICE							
Tourist & Entertainment	17	3,620,015	4	909,778	4,529,793	29.1	297.9
Transportation	1	40,000			40,000	.3	N/A
Business Services	10	594,560	4	168,200	762,760	4.9	253.5
Personal Services	3	120,700	4	52,400	173,100	1.1	130.3
Other Services	13	190,200	1	186,000	376,200	2.4	2.3
TOTAL SERVICES	44	4,565,475	13	1,316,378	5,881,853	37.8	246.8
TOTAL AUTHORIZATIONS	118	9,388,268	44	6,159,776	15,548,044	100.0	

POLICY DEVELOPMENT

Although there were changes in emphasis and direction during the past year, these were not based on any major policy changes. We did move from a single interest rate (9%) on all loans to a multiple rate structure, which provided for lower interest rates to small or new businesses in small communities and higher interest rates to larger businesses in metropolitan centres. (The overall spread was 7-1/2% to 11-1/2%, and the average was 8-1/2%). Another minor policy change was to make available financing for changes of ownership of businesses in smaller communities. Although this type of transaction does not add substantially to the economy of Alberta, it does help to stop further erosion of small communities where previously a retiring owner, unable to arrange sale of his business to a younger buyer, has often simply had to close it up.

During the past year we took, for the first time, an equity position in two new businesses. It appears that there may be a substantial shortage of risk or venture capital for small businesses in Alberta.

STAFF

When the year began, our staff position was our most serious concern; by the end of the year it had developed into our most prized asset. At the beginning of the year the majority of our well trained and highly qualified staff had signified that, for various good personal reasons, they were not able to undertake the move to Ponoka. Married women, for example, were unable to leave their husbands, others wished to continue their university studies, and nearly all had strong social and property ties to Edmonton. They, and we, were concerned for their future when the company, and their jobs, moved to Ponoka. By August, with the co-operation of all other government departments, especially encouraged by the Premier, and aided by their own strong qualifications, every person was happily placed in equivalent or higher level employment!

When it came to recruiting new staff, we found firstly that the excellent school system in Ponoka was immediately able to fill the 30% of our total employment related to clerical and stenographic skills. The attitudes, willingness and ability to learn of these young graduates could not be excelled. Another pleasant surprise came in what we had anticipated would be the more difficult areas of management and professional staff such as Loans Officers: We were able to attract an outstanding group of young, aggressive Albertans who, rather than anticipate promotion to Toronto or Montreal offices of their former employers, preferred to stay in Alberta, in a small community.



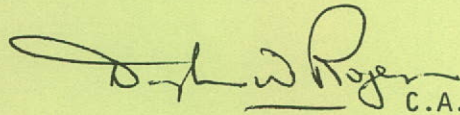
OFFICE OF THE PROVINCIAL AUDITOR

AUDITOR'S REPORT

To the Board of Directors of
the Alberta Opportunity Company

I have examined the balance sheet of the Alberta Opportunity Company as at March 31, 1974 and the statement of income and expenses and statement of operations - crown assets disposal division for the year then ended. My examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as I considered necessary in the circumstances.

In my opinion these financial statements present fairly the financial position of the Company as at March 31, 1974 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.


C.A.
Provincial Auditor.

Edmonton, Alberta
September 16, 1974

ALBERTA OPPORTUNITY COMPANY

BALANCE SHEET AS AT MARCH 31, 1974 WITH COMPARATIVE FIGURES

ASSETS

	<u>1974</u>	<u>1973</u>
Cash	\$ 86,312	\$ 317,817
Investments, at amortized cost including accrued interest	-	557,381
Accounts receivable (after allowance for doubtful accounts of \$7,595; \$23,396 - 1973)	53,250	7,046
Prepaid expenses	<u>3,771</u>	<u>1,217</u>
	<u>143,333</u>	<u>883,461</u>
Loans receivable, including accrued interest	22,488,754	14,237,549
Inventories:		
Subject to repurchase agreements at cost less deposits (Note 3)	453,825	907,692
Held for resale at estimated realizable value	<u>10,000</u>	<u>60,000</u>
	22,952,579	15,205,241
Less: Allowance for doubtful accounts (Note 4)	<u>1,300,947</u>	<u>985,305</u>
	<u>21,651,632</u>	<u>14,219,936</u>
Industrial incentive loans receivable (Note 5)	1,237,914	451,059
Less: Allowance for possible forgiveness	<u>1,237,914</u>	<u>451,059</u>
	<u>-</u>	<u>-</u>
Mineral titles, leaseholds and miscellaneous assets (Note 6)	1,250,001	1,250,001
Equipment (at cost less accumulated depreciation of \$7,739; \$5,180 - 1973)	<u>15,490</u>	<u>11,472</u>
	23,060,456	16,364,870
Trust Assets (Note 10)	<u>70,502</u>	<u>65,650</u>
	<u>\$23,130,958</u>	<u>\$16,430,520</u>

LIABILITIES

	<u>1974</u>	<u>1973</u>
Accounts payable	\$ 53,323	\$ 25,997
Undistributed proceeds from disposal of Crown Assets (Note 11)	<u>43,309</u>	<u>58,803</u>
	96,632	84,800
Payments received under option agreement (Note 6)	755,000	505,000
Debenture, including interest	-	1,568,781
Advances from Province of Alberta	22,309,146	13,838,000
Retained earnings:		
Balance, beginning	368,289	466,061
Less: Net loss - Statement B	<u>468,611</u>	<u>97,772</u>
Balance, ending	<u>(100,322)</u>	<u>368,289</u>
	23,060,456	16,364,870

Trust Liabilities (Note 10)

<u>70,502</u>	<u>65,650</u>
<u>\$23,130,958</u>	<u>\$16,430,520</u>

**ALBERTA OPPORTUNITY COMPANY
STATEMENT OF INCOME AND EXPENSES
FOR THE YEAR ENDED MARCH 31, 1974
WITH COMPARATIVE FIGURES
FOR THE NINE MONTHS ENDED MARCH 31, 1973**

	<u>1974</u>	<u>1973</u>
Income		
Interest on loans	\$1,357,236	\$709,669
Interest on inventory contracts	58,594	64,502
Interest on investments	5,897	35,587
Guarantee fees	1,910	450
Miscellaneous	<u>570</u>	<u>270</u>
	<u>1,424,207</u>	<u>810,478</u>
Expenses		
Staff - Schedule 1	479,420	208,607
Other manpower - Schedule 2	106,584	54,806
Communications - Schedule 3	38,826	17,489
Other operating expenses - Schedule 4	28,763	11,544
Interest on debenture	<u>3,665</u>	<u>22,194</u>
	<u>657,258</u>	<u>314,640</u>
Net income before the undernoted	766,949	495,838
Provision for doubtful accounts and estimated loss on disposal of inven- tories under agreement and held for resale	<u>479,366</u>	<u>351,251</u>
PROFIT ON OPERATIONS	287,583	144,587
Provisions for possible forgiveness of industrial incentive loans	786,855	242,359
Extraordinary income (Note 7)	<u>(30,661)</u>	<u>-</u>
NET LOSS	<u>\$ 468,611</u>	<u>\$ 97,772</u>

ALBERTA OPPORTUNITY COMPANY
SCHEDULES OF EXPENSES
FOR THE YEAR ENDED MARCH 31, 1974
WITH COMPARATIVE FIGURES
FOR THE NINE MONTHS ENDED MARCH 31, 1973

	<u>SCHEDULE "1"</u>	<u>1974</u>	<u>1973</u>
Staff:			
Salaries and wages		\$379,698	\$189,680
Pension plans		18,294	8,531
Unemployment insurance		2,589	829
Medical and group insurance		2,933	1,244
Parking		1,339	1,669
Educational assistance		1,286	204
Recruitment expense		6,216	6,450
Relocation expense		<u>67,065</u>	<u>-</u>
		<u>\$479,420</u>	<u>\$208,607</u>

	<u>SCHEDULE "2"</u>		
Other Manpower:			
Board of Directors fees		\$ 5,900	\$ 1,550
Professional and other fees:			
Legal		84,814	49,591
Consultants		9,007	-
Bonded agents		1,051	1,010
Appraisers		2,647	450
Credit reporting agencies		<u>3,165</u>	<u>2,205</u>
		<u>\$106,584</u>	<u>\$ 54,806</u>

	<u>SCHEDULE "3"</u>		
Communications:			
Telephone and telegraph		\$ 13,915	\$ 6,053
Mail and messenger service		2,611	1,420
Travel		20,507	9,211
Brochures and other literature		<u>1,793</u>	<u>805</u>
		<u>\$ 38,826</u>	<u>\$ 17,489</u>

	<u>SCHEDULE "4"</u>		
Other Operating Expenses:			
Office supplies and services		\$ 19,175	\$ 9,488
Vehicle and equipment		3,355	-
Fees and subscriptions		1,970	841
Depreciation		2,079	1,120
Miscellaneous		<u>2,184</u>	<u>95</u>
		<u>\$ 28,763</u>	<u>\$ 11,544</u>

**ALBERTA OPPORTUNITY COMPANY
NOTES TO FINANCIAL STATEMENTS
AS AT MARCH 31, 1974**

Note 1. Authority

The Alberta Opportunity Company operates under the authority of The Alberta Opportunity Fund Act, Chapter 11, Statutes of Alberta, 1972.

Note 2. Comparative Statements

For comparative purposes, certain figures for the nine month period ended March 31, 1973 have been regrouped to correspond to the presentation for the year ended March 31, 1974.

Note 3. Inventories

	Subject to Repurchase Agreement	
	<u>1974</u>	<u>1973</u>
Cost	\$585,535	\$1,296,500
Less: Deposit thereon	<u>131,710</u>	<u>388,808</u>
	<u>\$453,825</u>	<u>\$ 907,692</u>

Note 4. Allowance for Doubtful Accounts

	<u>Opening Balance</u>	<u>Current Provision</u>	<u>Write- Offs</u>	<u>Closing Balance</u>
Loans receivable	\$ 985,305	\$448,642	\$153,000	\$1,280,947
Inventories, subject to repurchase agreement	<u>-</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Sub Total	985,305	468,642	153,000	1,300,947
Accounts receivable	23,396	7,595	23,396	7,595
Inventories, held for resale	<u>-</u>	<u>3,129</u>	<u>-</u>	<u>-</u>
TOTAL	<u>\$1,008,701</u>	<u>\$479,366</u>	<u>\$176,396</u>	<u>\$1,308,542</u>

Note 5. Industrial Incentive Loans

These loans were made under authority of The Industrial Development Incentives Act which provided that, with the approval of the Lieutenant Governor in Council, repayment of the loans may be forgiven in whole or in part, providing that no loan may be wholly forgiven before the expiration of five years from the date money was first advanced under the loan. During this five year period, no interest is charged on a loan and no repayment of principal is required providing a borrower continues in operation and meets certain conditions.

OFFICE OF THE PROVINCIAL AUDITOR

Note 6. Mineral Titles, Leaseholds and Miscellaneous Assets and Payments Received Under Option Agreement

Title to these assets was acquired by the Alberta Industrial Corporation (a predecessor organization) from Brazeau Collieries Limited as consideration for the settlement of Brazeau's indebtedness to the Corporation. An option agreement dated April 15, 1971, granted Brazeau Collieries Limited an option to purchase these assets, exclusive of the Nordegg townsite lease, carried at a nominal value of \$1, for the sum of \$1,250,000. Should the option not be exercised, a portion of the payments received is repayable to Brazeau. At March 31, 1974, the option was in good standing and the following schedule summarizes payments required under the agreement and the disposition thereof should the option be terminated.

<u>Payments</u>	<u>Repayable to Brazeau</u>	<u>Retainable by Company</u>	<u>Total</u>
Received to March 31, 1974	\$600,000	\$155,000	\$ 755,000
*Due June 15, 1974	<u>150,000</u>	<u>100,000</u>	<u>250,000</u>
	<u>\$750,000</u>	<u>\$255,000</u>	1,005,000
Final payment due October 15, 1975			<u>245,000</u>
			<u>\$1,250,000</u>

*This payment has subsequently been received.

Note 7. Extraordinary Income

This is the amount of insurance proceeds arising from the fire that destroyed the Nordegg Theatre in August, 1973. The Nordegg Townsite lease and all improvements thereon are carried at a nominal value of \$1.

Note 8. Contingent Liabilities

The company is contingently liable as guarantor of certain loans aggregating \$574,400 at March 31, 1974, and was contingently liable for loans aggregating \$115,000 at March 31, 1973.

Note 9. Commitments

Authorizations to be disbursed:

	<u>March 31, 1974</u>	<u>March 31, 1973</u>
Loans	\$11,046,697	\$12,595,365
Guarantees	405,000	171,000
Inventory contracts	<u>283,219</u>	<u>1,119,433</u>
	11,734,916	13,885,798
Industrial incentive loans	<u>766,184</u>	<u>1,701,772</u>
	<u>\$12,501,100</u>	<u>\$15,587,570</u>

OFFICE OF THE PROVINCIAL AUDITOR

Note 10. Trust Assets and Liabilities

Under the authority of Order-in-Council 989/71 the Alberta Commercial Corporation, a predecessor organization, administered funds deposited with the company by the Human Resources Development Authority for the creation of employment opportunities for local people including those of native origin.

The trust funds under administration at March 31, 1974 and 1973 to the Province of Alberta are as follows:

	<u>1974</u>	<u>1973</u>
Trust funds due to the Province:		
Advances from Province	<u>\$229,970</u>	<u>\$229,970</u>
Less deficit:		
Deficit balance, beginning	164,339	74,747
Add expenses:		
Grant	-	85,000
Provision for doubtful accounts	424	12,211
Fees and subscriptions	<u>-</u>	<u>1,596</u>
	164,763	173,554
Less earnings	<u>5,295</u>	<u>9,215</u>
Deficit balance, ending	<u>159,468</u>	<u>164,339</u>
Trust funds due to the Province	<u>\$ 70,502</u>	<u>\$ 65,631</u>

Trust funds due to the Province at March 31, 1974 and 1973 represented by trust assets and liabilities:

Cash and short term deposits	\$ 50,432	\$ 9,511
Loans receivable less allowance for doubtful accounts of \$8,483, \$8,059 - 1973	20,070	56,139
Accounts payable	<u>-</u>	<u>(19)</u>
	<u>\$ 70,502</u>	<u>\$ 65,631</u>

Note 11. The Crown Assets Disposal Division

The Alberta Opportunity Company acts as agent of the Government for the disposal of items of material, equipment and other assets declared surplus to the needs of:

1. Departments of the Government
2. Other organizations:
 - a) Any corporation that is an agent of the Crown
 - b) And by agreement, with any board, corporation, commission and institution receiving any portion of its operating funds from the Government.

Wherever possible the assets are placed back in Government service. To make this policy attractive to an acquiring Government department, when purchasing assets declared surplus by another Government department, a discount of 90% of the selling price is allowed.

The surplus assets are sold either from their location at the declaring organization's site or from the display area of the warehouse sales outlets in Edmonton and Calgary. Sales are made for cash by way of public auction, public tender or through general advertising. The assets are sold on a first come first served basis and on an as is, where is condition.

The net proceeds of sale of items from Government departments, less operating expenses, are returned to the Government. In case of other organizations from which the surplus assets were received the proceeds are returned directly to them less a handling charge of 10% of the selling price. This handling charge amounts to \$33,840 in 1974, \$24,639 for the nine months ended March 31, 1973.

The distribution of net proceeds on surplus assets sales for the year ended March 31, 1974 and the nine months ended March 31, 1973 is as follows:

	<u>1974</u>	<u>1973</u>
Undistributed, beginning	\$ 58,803	\$ -
Net proceeds	<u>519,941</u>	<u>330,142</u>
	<u>578,744</u>	<u>330,142</u>
Amount distributed:		
To Government	189,798	75,467
To other organizations	<u>345,637</u>	<u>195,872</u>
	<u>535,435</u>	<u>271,339</u>
Undistributed, ending	<u>\$ 43,309</u>	<u>\$ 58,803</u>

**ALBERTA OPPORTUNITY COMPANY
STATEMENT OF OPERATIONS-CROWN ASSETS DISPOSAL DIVISION
FOR THE YEAR ENDING MARCH 31, 1974
WITH COMPARATIVE FIGURES
FOR THE NINE MONTHS ENDED
MARCH 31, 1973**

	<u>1974</u>	<u>1973</u>
Income		
Gross sales	\$658,697	\$458,428
Less: Discount allowed government departments	<u>42,999</u>	<u>61,200</u>
	<u>615,698</u>	<u>397,228</u>
Expenses		
Staff		
Salaries and wages	71,688	50,360
Pension plans	3,595	2,485
Unemployment insurance	669	291
Medical and group insurance	<u>705</u>	<u>426</u>
Sub Total	<u>76,657</u>	<u>53,562</u>
Communications		
Telephone and telegraph	659	741
Mail	504	87
Travel	3,243	1,355
Advertising	<u>4,895</u>	<u>1,645</u>
Sub Total	<u>9,301</u>	<u>3,828</u>
Other Operating Expenses		
Office supplies and services	3,635	2,215
Preparation for sale	4,881	6,480
Vehicle and equipment	237	356
Depreciation	480	406
Miscellaneous	<u>246</u>	<u>239</u>
Sub Total	<u>9,479</u>	<u>9,696</u>
Provision for doubtful accounts	<u>320</u>	<u>-</u>
	<u>95,757</u>	<u>67,086</u>
Net proceeds on operations	<u>\$519,941</u>	<u>\$330,142</u>

